

TENNESSEE REGULATORY AUTHORITY

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2005 AUG -4 PM 12:30
460 James Robertson Parkway
Nashville, Tennessee 37243-0505
T.R.A. DOCKET ROOM

August 4, 2005

Mr. Charles B. Welch, Jr.
Farris Mathews, Branam Bobango Hellen & Dunlap PLC
618 Church Street, Suite 300
Nashville, Tennessee 37219

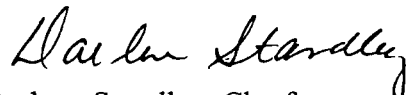
RE: Docket No. 04-000335 – Application of King's Chapel Capacity, LLC to Obtain a Certificate of Convenience and Necessity to Provide Wastewater Service to a Portion of Williamson County, known as Ashby Community.

Dear Mr. Welch:

Applicants for Certificates of Public Convenience and Necessity (CCN) are required to demonstrate their managerial, financial and technical abilities to provide the services for which they seek authority. To further the Staff's investigation of King's Chapel, LLC's application for a CCN to provide wastewater service to Ashby Community, located in Williamson County, please provide additional information as detailed in the attached Staff Data Request.

It is requested that the Company's responses be provided no later than 2:00 P.M. on Friday, August 19, 2005, and that you reference Docket No. 04-00335 on the response. In accordance with TRA rules, submit either thirteen (13) written copies of your response, or four (4) written copies and one (1) electronic version. Should you have questions regarding any item number on the attached request, please contact Patsy Fulton (extension 193) or Pat Murphy (extension 178) at (615) 741-2904 for clarification before responding.

Sincerely,


Darlene Standley, Chief
Utilities Division

Attachment

C: Docket File

KING'S CHAPEL CAPACITY, LLC
DOCKET NO. 04-00335
APPLICATION FOR CCN TO PROVIDE WASTEWATER SERVICE TO ASHBY
COMMUNITY IN WILLIAMSON COUNTY, TENNESSEE

STAFF DATA REQUEST – AUGUST 4, 2005

When responding to the following questions, please repeat the question number and question, followed by the Company's response.

GENERAL:

1. Provide a copy of any franchise granted by a city or county to King's Chapel, LLC ("KCC").
2. Provide a complete description of the geographical territory to be served. Include the number of acres, and clear legible maps of the area with the proposed service territory clearly plotted.
3. Provide a complete description of the Ashby Communities development. Identify the names of the subdivisions, and the number of homes or lots that will be served in each.
4. Provide a five (5) year plan showing the estimated build out of the homes currently scheduled to be served by KCC, plus any projected future growth. Include the Company's basis and assumptions used for its projections.
5. The Financial Asset section of KCC's Petition (Exhibit Four) contained a memo from First Tennessee Bank dated September 29, 2004, stating that three Letters of Credit have been issued for Hang Rock, LLC.
 - a. Identify the entity Hang Rock, LLC and explain the relevance of Hang Rock, LLC to this Petition.
 - b. Provide the amounts associated with each Letter of Credit and whether each is considered to be an open line of credit.
 - c. What is the remaining balance on each letter of credit?
6. Provide details of any funding sources available to KCC. Also, provide a current financial statement for King's Chapel Capacity, LLC, including a Balance Sheet, Income Statement and Statement of Cash Flows for the year ended December 2004.
7. Provide copies of the engineering and construction plans and specifications as submitted to the Tennessee Department of Environment and Conservation (TDEC) for its approval.

8. Identify the owners/members/officers of KCC. Provide the addresses, telephone numbers, and the percentage of ownership of each.
9. Provide a current organizational chart for KCC, showing each officer and any other key personnel by name and title.
10. Is James B. Johnson a current employee of Kings Chapel capacity, LLC? If not, identify the person who will have the technical responsibility for the operation and maintenance of the proposed system. Also, provide copies of any associated consulting/vendor contracts.
11. What is the estimated amount of Contributed Capital that will be recorded on KCC's books?
12. Provide an estimate of the maximum capacity of the proposed wastewater system.
13. Provide an estimated date construction will be complete and the estimated date the wastewater system will be placed in service.
14. Provide the security requirements (amounts, duration and costs) of Williamson County i.e. bonds and/or letters of credit and the impact on customer rates.
15. Provide pre-filed testimony attesting to the public need that exists for a wastewater system in the Ashby Communities Development, as well as the financial, technical and managerial capability of Kings Chapel, LLC to operate and maintain a wastewater system.
16. In the Company's proposed tariff TRA #2 (Rules and Regulations), Sheet #6, the sentence found under section "Tennessee Regulatory Authority" refers to Williamson County Capacity. Please explain.

FINANCIAL:

17. Provide a chart of accounts for the Company, following the NARUC Uniform System of Accounts (USOA) for wastewater utilities.
18. What is the total (actual) cost of the wastewater system constructed to service Ashby Community? How much of this cost was paid for by KCC and how much is contributed plant?
19. Provide a list of all plant-in service accounts, account names and account balances as of the start of operations.
20. Provide the depreciation rates KCC intends to use for each type of capital equipment (i.e. plant account) that will be on KCC's books, including the estimated useful life of each. If no depreciation study has been performed, explain KCC's basis for these rates

21. Provide a projection of the operation and maintenance expenses by month and by account number (as identified in Request #17) for the first two years of operation.
22. Provide the Company's assumptions, basis and calculations used to arrive at each projected monthly expense amount for Year 1 and Year 2.
23. For all payroll expenses, identify the position, the salary (or hourly rate and hours worked), and the basis for any projected increases.
24. For any outside contracts, identify the provider, work performed, basis for payment, and a copy of the contract.
25. Has KCC obtained a bank loan to fund the initial start-up costs?
26. If the answer to #25 is yes, what is the amount of the loan and the interest rate terms? Provide a copy of the loan agreement
27. Provide an estimate of the Company's annual interest payments for Year 1 and Year 2.
28. What is the projected time period to fully build out the subdivision to its maximum 269 homes? Provide an estimated time line for the connection of customers to the wastewater system. Explain KCC's basis for its response.
29. Regarding KCC's proposed tariff TRA #2:
 - a. (Sheet #3, Winter Water Usage Rate) – Explain fully this section, including but not limited to: when this method of billing would apply, the basis for using an average monthly water usage, the rates applicable to the average usage, the support for a maximum bill of \$125, and the reason for deviating from the tariff rates proposed in TRA #1.
 - b. (Sheet #4, Sewer Access Fee) – Will all 269 lots be provided with a tap or the availability of a tap at the onset of operations? If not, when are taps made available, so that the \$84 per lot per year charge is applicable?
30. Provide responses to the following questions concerning the individual tariff items found in KCC's TRA #1.
 - a. For those operation and maintenance expenses reflected in tariff items 1 through 10 (Sheets #1 - #3), provide a detailed calculation of each cost component, using the most recent supporting data available. Provide the source of any supporting data.
 - b. For tariff items 11 through 14 (Sheet #4), identify the specific utility costs included in these cost components. Provide a detailed calculation of each component as requested in letter "a." above.
 - c. For tariff items 15 through 17 (Sheet #5), provide a detailed calculation of each cost component as requested in letter "a." above.
 - d. For tariff items 18 and 19 (Sheet #6), identify the type of testing required for each system, the governmental agency requiring the testing and the filing dates for each required report. Provide a detailed calculation of each cost component as requested in letter "a." above.

- e. For tariff items 20, 21, 26-28, provide a detailed calculation of each cost component as requested in letter "a." above.
 - f. For tariff item 22, identify the regulating agencies, and provide a detailed calculation of the cost component as requested in letter "a." above.
 - g. For item 25, provide a detailed calculation of the cost component as requested in letter "a." above. Please explain in general terms under what circumstances a city or county would enter into a franchise with a utility providing service to a single housing development.
 - h. For items 29 and 30, identify members of local management and corporate management and list the services provided to the utility by each group. Provide a detailed calculation of the cost components as requested in letter "a." above.
31. Provide a price out of projected monthly revenues for Year 1 and Year 2 based on KCC's proposed tariff for residential customers and the customer projections supplied in Request # 28.
32. Provide a projected Income Statement for Year 1 and Year 2, based on responses provided in this data request.

PROPOSED TARIFF:

33. Describe in detail the "Inspection Requirements" referenced in the Rules and Regulations listed as 2. e. under the "Statement of Purpose" section. Are these inspection requirements contained in the proposed tariff? If so, please provide a tariff reference.
34. Provide a copy of the referenced "Rule 602.2" listed in the section "Authorization of Rules and Regulations."
35. Explain in detail all procedures to be followed by the Company when disconnecting service, cutting off wastewater service and reconnecting service.
36. Explain the Company's rationale for charging a disconnection fee and under what circumstances it would apply. Will the disconnection fee be charged when a customer is later reconnected and is charged a reconnection fee?
37. Identify under what conditions the utility will deny service. Are these conditions enumerated in the proposed tariff? If so, please provide the tariff reference.